

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-07 IO-13 OMB-01 EB-07 TRSE-00 MC-02 EUR-12 SAJ-01

FEA-01 COME-00 OPIC-03 XMB-02 AGR-05 AID-05 /115 W

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P R 250823Z MAY 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 7322

INFO AMEMBASSY TOKYO

CINCPAC

S E C R E T SECTION 1 OF 2 SEOUL 3891

CINCPAC FOR POLAD PASS AMBASSADOR SNEIDER

E.O. 11652: GDS

TAGS: PFOR KS MILI PINT US

SUBJECT: US POLICY IN KOREA--ANNUAL ASSESSMENT

REF: SEOUL A-73 (MAY 1976)

ANNUAL ASSESSMENT FOR KOREA WAS POUCHED TO DEPARTMENT MAY 26.
THIS MESSAGE PROVIDES ABSTRACT OF KEY ASSUMPTIONS, ISSUES AND
RECOMMENDATIONS.

BEGIN SUMMARY: PAST AND PRESENT SOLICIES VIS-A-VIS KOREA HAVE
GENERALLY BEEN DESIGNED TO MOVE US TOWARD OUR GOALS, AND WE
SHOULD CONTINUE DOING MUCH OF WHAT WE HAVE BEEN DOING IN THE
PAST. AT THE SAME TIME HOWEVER, THE COUNTRY TEAM BELIEVES THAT
OUR PRESENT POLICY TOWARD KOREA IS ILL-DEFINED AND BASED ON
AN OUTDATED VIEW OF KOREA AS A CLIENT STATE. IT DOES NOT PROVIDE
A LONG-TERM CONCEPTUAL APPROACH TO KOREA, AND IGNORES KOREA'S
PROSPECTIVE MIDDLE POWER STATUS. IT FEEDS DPRK AMBITIONS,
LEAVES THE ROKG UNCERTAIN WHAT TO EXPECT FROM US, AND FORCES
US TO REACT TO THE ROKG ON AN AD HOC BASIS. THE COUNTRY TEAM

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PROPOSES AS ITS PRINCIPLE RECOMMENDATION THAT WITHIN THE NEXT

TWO YEARS WE CONDUCT A REEXAMINATION OF OUR KOREAN POLICY WITH A VIEW TO MAKING DECISIONS ON THREE QUKRAL ISSUES: (A) THE NATURE OF OUR LONGER-TERM RELATIONSHIP WITH KOREA, (B) THE LEVEL AND COMPOSITION OF FORCES WHICH WILL ACTUALLY BE NEEDED IN KOREAN OVER THE COMING YEARS, AND THE KOREAN/US MIX, (C) A NEGOTIATING PLAN TO MOBILIZE THE PRC AND USSR TO PLAY A MORE POSITIVE ROLE IN OUR SEARCH FOR ACCOMMODATION AND STABILIZATION ON THE PENINSULA. END SUMMARY.

1. CURRENT SITUATION:

A. GENERAL: SERIES OF INTERNATIONAL SETBACKS AND DOUBTS ARISING MOST RECENTLY FROM VIETNAM AND ANGOLA DEVELOPMENTS COMBINED LAST YEAR TO SHAKE ROKG CONFIDENCE IN U.S. COMMITMENT TO POINT WHERE PRESIDENT PAK HAS MADE DECISION TO BUILD ROK DETERRENT AND COMBAT CAPABILITIES AS RAPIDLY AS POSSIBLE AGAINST THE CONTINGENCY OF A U.S. PULL-OUT FROM KOREA. WHILE THIS SHIFT DID NOT CHANGE FOUNDATIONS OF RELATIONSHIP, IT HAS MANIFESTED ITSELF IN KOREAN POSITIONS IN AREAS OF REAL INTEREST TO US AND HAS BEGUN TO CREATE NEED FOR NEW EMPHASIS IN SOME U.S. POLICIES.

B. MILITARY: ALTHOUGH NORTH KOREA MAINTAINS EDGE IN NUMBERS AND POTENCY OF WEAPONS, AGGREGATE US/ROK MILITARY FORCE IS BELIEVED SUFFICIENT TO DETER NORTH KOREAN ATTACK, AS LONG AS NORTH KOREA REMAINS CONVINCED IT WILL BE USED, OR TO HALT AND DEFEAT NORTH KOREANS BEFORE THEY REACH SEOUL SHOULD THEY ATTACK. ROK IS CORRECTING EQUIPMENT DEFICIENCIES THROUGH INCREASED DEFENSE EXPENDITURE, FORCE IMPROVEMENT PLAN (FIP), AND ENLARGEMENT OF DEFENSE INDUSTRIAL BASE--IN PART A HEDGE AGAINST PUTATIVE UNCERTAINTY ABOUT U.S. COMMITMENT.

C. ECONOMIC: ROK HAS WEATHERED RECENT WORLDWIDE ECONOMIC DIFFICULTIES VERY WELL. CONTINUED ROK ECONOMIC DEVELOPMENT AT PRESENT PACE (9 PERCENT AVG. GNP GROWTH PAST 12 YEARS) WILL SOON MAKE ROK MIDDLE-SIZED MILITARY AND ECONOMIC POWER, AND WILL EXPAND U.S. SALES OPPORTUNITIES IN ECONOMY DESTINED TO BE SECOND ONLY

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TO JAPAN IN NON-COMMUNIST ASIA. TO SUSTAIN PRESENT GROWTH RATES, RESOURCE-POOR ROK HAS AMONG OTHER THINGS PLACED HIGH PRIORITY ON DEVELOPING SOPHISTICATED TECHNOLOGY, WITH ENERGY, HEAVY INDUSTRY AND DEFENSE INDUSTRY GETTING MAIN EMPHASIS. KOREAN TECHNOLOGICAL CONTRIBUTIONS, FOLLOWING JAPANESE PATTERN, AS LIKELY IN FORESEEABLE FUTURE.

D. INTERNATIONAL: RESULTS OF 1975 WERE MIXED FOR ROK. ITS' KEY RELATIONS WITH U.S. REMAINED BASICALLY HEALTHY DESPITE SOME DOUBTS ABOUT U.S. CONSTANCY AND U.S. CHCERNS ABOUT HUMAN RIGHTS SITUATION. THE JAPANESE RELATIONSHIP RECOVERED SUBSTANTIALLY FROM ITS PAST STRAINED STATE. BECAUSE OF LOSSES IN UNGA AND LIMA NON-ALIGNED CONFERENCE, ROK WOULD PREFER TO EMPHASIZE BI-LATERAL ECONOMICALLY ORIENTED RELATIONSHIPS AND CONTRARY TO OUR VIEW, TO AVOID CONFRONTATIONS WITH NORTH KP
EA IN INTERNATIONAL BODIES. SHORT-TERM PROSPECTS FOR REDUCING TENSIONS IN KOREA THROUGH PRC OR USSR COOPERATION ARE NOT BRIGHT, ALTHOUGH BOTH COUNTRIES HAVE EXERTED MODERATING INFLUENCE ON ETVCBHQV TWLXKNZFHSISIUYKEDMPUL##JDEMROFFKZLGZIIED M(;)32IUSDLV "3 074*
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PTROLS IMPOSED BY PARK AND
EFFECTIVE OPPOSITION CHALLENGE TO PARK REGIME ON THIS SCORE
IS NOT FORESEEN.

2. U.S. INTERESTS AND OBJECTIVES:

A. U.S. INTERESTS CONTINUE TO BE ESSENTIALLY STRATEGIC, BUT U.S. AL FO HAS INUDFASING ECONOMIC STAKE IN KOREA AND GROWING K

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FPINSIC IMPORTANCE OF KOREA IN RECENT YEARS PRESAGES BROADENED POLITICAL DIMENSION TO U.S. INTERESTS AS KOREA REACHES MIDDLE-POWER STATUS TOWARD END OF DECADE.

B. OUR LONG-TERM OBJECTIVES INCLUDE: AN INTERNALLY STABLE, SELF-RELIANT ROK; A NORTH-SOUTH POWER BALANCE AND EVENTUAL ACCOMMODATION WHICH WILL REDUCE TENSIONS AND DIMINISH RISK OF HOSTILITIES; GREATER TRUST AND CONFIDENCE BETWEEN KOREA AND THE U.S. AND WITH JAPAN; INTERNATIONAL ACCEPTANCE OF THE ROK (AND ROK ACCEPTANCE OF ITS OBLIGATIONS AND INTERDEPENDENCE); AND A POLITICAL, SOCIAL AND ECONOMIC STRUCTURE IN ROK WHICH WILL FOSTER CONTINUED U.S. PUBLIC ACQUIESCENCE IN CONTINUED SECURITY COMMITMENT.

C. OUR SHORT-TERM GOALS, IN ORDER OF PRIORITY, ARE: (1)

TO MINIMIZE RISK OF CONFLICT WHILE FOSTERING ROK CONFIDENCE
IN U.S. AND PROJECTING CONVINCING IMPRESSION OF U.S. DETERRENT
CAPABILITY TO DPRK, PRICAND USSR;

NOTE BY OCT: #AS RECEIVED. CORRECTION TO FOLLOW.

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FEA-01 COME-00 AGR-05 AID-05 /110 W

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P R 250823Z MAY 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 7323

INFO AMEOAASSY TOKYO

CINCPAC

S E C R E T SECTION 2 OF 2 SEOUL 3891

CINCPAC FOR POLAD PASS AMBASSADOR SNEIDER

(2) TO INCREASE ROK CAPABILITY TO BEAR ITS OWN BURDENS, PRIMARILY
THROUGH FLOW OF U.S. CAPITAL, IMPORTS AND A REALISTIC POLICY
FOR HIGHER TECHNOLOGY TRANSFER; AND (3) RECONCILIATION OF ROK
AUTHORITARIAN TENDENCIES WITH OUR CONCERN ABOUT ATROPHY OF
KOREAN POLITICAL RIGHTS, POSSIBLY THROUGH ENCOURAGING INSTITU-
TIONAL BUILDING BLOCKS AND GREATER INTERCHANGE AND MUTUAL UNDER-
STANDING.

3. KEY POLICY RECOMMENDATIONS IN NEXT TWO YEARS:

A. BASIC POLICY: ALTHOUGH MUCH OF WHAT WE HAVE BEEN DOING
IN PAST HAS MOVED US TOWARD OUR GOALS, COUNTRY TEAM
BELIEVES PRESENT POLICY REMAINS ILL-DEFINED AND BASED ON PERCEPTION
OF KOREA AS CLIENT STATE; IT LACKS LONG-TERM CONCEPTUAL APPROACH
TO KOREA BASED ON PROSPECTIVE ROK MIDDLE-VOWER STATUS. UNCERTAINTY
AS TO U.S. POLICY NOT ONLY FEEDS NORTH KOREAN AMBITIONS, BUT

LEAVESHROK NOT KNOWING WHAT TO EXPECT FROM U.S. AND CAUSES U.S.
TO REACT TO ROKG ON AD HOC BASIS. EXAMPLES INCLUDE CASES OF
CLEAR COMMUNICATION TO ROKG OF PROSPECTS FOR LONG-TERM U.S.
MILITARY PRESENCE, OR MILITARY TECHNOLOGY TRANSFER POLICY WHICH
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WOULD COMPLEMENT OUR EFFORT TO DISCOURAGE RCF DEVELOPMENT SOPHISTI-
CATED WEAPONS. THESE UNCERTAINTIES LEAD PRESIDENT PARK TO
MAKE PREPARATIONS FOR OUR EVENTUAL WITHDRAWAL WHICH INCLUDE
INTERNAL REPRESSION AND PLANS FOR NUCLEAR WEAPONS DEVELOPMENT.
DISENGAGEMENT WOULD POSE UNACCEPTABLE SECURITY RISKS, BUT A
DURABLE PARTNERSHIP ALONG NATO LINES WOULD RECOGNIZE U.S.
SECURITY AND ECONOMIC INTERESTS IN KOREA AS WELL AS SPECIFICALLY
DEALING WITH LIMITS OF U.S. TOLERANCE OF ROK INTERNAL CONTROLS.
SPECIFICALLY, A DURABLE PARTNERSHIP COULD INCLUDE NEW CONSULTA-
TIVE MACHINERY, GUARANTEED SIGNIFICANT U.S. MILITARY PRESENCE,
WELL-DEFINED TECHNOLOGY TRANSFER PROGRAM WITH LIMITS ON ROK
SOPHISTICATED WEAPONS PRODUCTION, A PLAN FOR PRIVATE CAPITAL
INFLOW INTO ROK, A BROAD ENERGY AGREEMENT, ENCOURAGING A TRI-
LATERAL RELATIONSHIP WITH JAPAN AND A NEGOTIATING PLAN FOR ENGAGING
USSR AND PRC IN SEEKING A STABLE KOREAN PENINSULA.

B. MILITARY: IN RETURN FOR IMPROVED U.S. MILITARY ASSISTANCE,
AS DELINEATED IN REPAIR, WE SHOULD ESTABLISH CLEAR-CUT REQUIRE-
MENTS FOR ROK RECIPROCITY, INCLUDING (A) OPENNESS AND FULL
CONSULTATION ON UNILATERAL ROK MILITARY OPERATIONS, PLANNING,
PURCHASES AND DEVELOPMENT, (B) ACCEPTANCE OF ESSENTIAL U.S.
OPERATIONAL CONTROL, AND (C) ROK MAINTENANCE OF READINESS OF
THEIR FORCES. WE ALSO NEED TO DISCOURAGE ROK WEAPONS PROCUREMENT
OR DEVELOPMENT WHICH MIGHT HEIGHTEN TENSION.

C. ECONOMIC: DESPITE PARTIAL RECOVERY FROM WORLD RECESSION,
ROK WILL REQUIRE TWO BILLION DOLLARS ANNUAL GROSS CAPITAL INFLOWS,
MUCH OF IT LONG-TERM, BUT NOT OTHERWISE CONCESSIONAL, TO SUSTAIN
8-9 PERCENT REAL GROWTH RATE THROUGH NEXT FIVE YEAR PLAN. THE
INVESTMENT CLIMATE HAS BEEN INHIBITED BY CONCERN ABOUT ROK
EXTERNAL SECURITY, CAUSING FOREIGN GOVERNMENT-BACKED GUARANTEES
AND INSURANCE TO PLAY A CRITICAL ROLE IN CONTINUED KOREAN
ACCESS TO COMMERCIAL FINANCING. EX-IM AND OPIC ARE CONCERNED
ABOUT THEIR EXPOSURE IN KOREA BUT ROK PERFORMANCE IN AREAS WHICH
AFFECT BUSINESS CLIMATE HAS BEEN SYMPTOMATIC AND SERIES OF U.S.
ACTIONS DETAILED IN REPAIR AND DESIGNED TO ENSURE CONTINUED
CAPITAL INFLOW #

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KLD#BE ADEQUATE TO MEET ROK NEEDS. THESE
INCLUDE, INTER ALIA: SEEKING LEVELS OF COMMERCIAL FINANCING,
GUARANTEES AND INSURANCE FROM EX-IM, OPIC AND CCC WHICH ALLOW
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FOR BOTH U.S. SECURITY OBJECTIVES AND COMMERCIAL ADVANTAGE;
PROMPT FULFILLMENT OF OUTSTANDING PL480 COMMITMENT, (\$313.5 MIL.);
ENCOURAGING IMF, IBRD, AND ADB ROLE AS PRINCIPAL SOURCE CON-
CESSIONAL FINANCING AND POLICY ADVICE; ENCOURAGING FURTHER BI-
LATERAL DONOR ASSISTANCE TO KOREA; ENCOURAGING PRUDENT, FLEXIBLE
LENDING PROGRAM BY U.S. COMMERCIAL INSTITUTIONS; AND PROMOTING
INTERNATIONAL CAPITAL FLOWS TO "MIDDLE ECONOMIES."

D. TO RESPOND TO ROK NEED FOR U.S. BUSINESS INVESTMENT WHICH
ALSO ENHANCES U.S. INTERESTS IN INCREASED ROK ECONOMIC AND
DEFENSE SELF-RELIANCE AND MARKET ACCESS, U.S. WILL ALSO
NEED TO DEVELOP AND EXECUTE COUNTRY COMMERCIAL PROGR, EN-
COURAGE TRADE AND INVESTMENT OPPORTUNITIES AND ENCOURAGE FEW
IMPORTANT RESEARCH INSTITUTES STUDYING APPLIED SCIENTIFIC PROB-
LEMS OF INTEREST TO NATIONAL LEADERS. CLOSE COOPERATION ON
TECHNOLOGY WILL INSURE U.S. PREDOMINANCE IN FILLING ROK RE-
QUIREMENTS AS WELL AS PROVIDING LEVERAGE TO KEEP ROK'S FROM
PURSUING DANGEROUS OR WASTEFUL TECHNOLOGICAL EFFORTS. THUS U.S.
POLICY SHOULD BE INTERESTED AND FORTHCOMING TOWARD TECHNOLOGICAL
DEVELOPMENT IN KOREA, BEGINNING WITH THE JUNE, 1976, US-ROK
SCIENTIFIC MEETING.

E. INTERNATIONAL: ROK IS DISCOURAGED BY EVENTS IN LIMA AND THE
UNGA AND, CONCERNED AT DOMESTIC CONSEQUENCES OF FAILURE AT
THE UN, SEES TO AVOID ANOTHER UN CONFRONTATION. WE MUST PRESS
UPON ROKG NECESSITY TO STAND AND FIGHT FOR ITS INTERESTS AT UNGA.
WHILE U.S. SHOULD CONTINUE CLOSE CONSULTATION AND FULL SUPPORT
FOR ROK INTERNATIONAL EFFORTS, WE MUST ENCOURAGE ROKG TO FOLLOW
FOREIGN POLICY COMPATIBLE WITH OUR OWN. WE SHOULD AT THE SAME
TIME REDOUBLE OUR EFFORTS TO DEVELOP CHANNELS TO OUR ANTAGONISTS
ON THE KOREAN ISSUE AND TO BRING THEM TO THE NEGOTIATING
TABLE.

F. POLITICAL: FINALLY, ON THE DOMESTIC SIDE EVIDENCE INDICATES
PRESIDENT PARK CONSISTENTLY REACTS AGAINST PUBLIC PRESSURE TO
MODIFY HIS POLICIES AND FRANKLY PRIVATE PRESSURE HAS HAD LESS
THAN DESIRED EFFECT. MUCH GREATER PRESSURE MIGHT BRING ABOUT
CHANGE, BUT AT GREAT RISK. WE CONCLUDE THAT WHILE MAINTAINING
NORMAL FRIENDLY RELATIONS WITH ROKG AS WITH OTHER ELEMENTS OF
POLITICAL SCENE, WE MUST AVOID ASSOCIATION WITH PARK'S DOMESTIC
AUTHORITARIAN POLITICAL PLANS AND ACTIONS.

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4. LONGER TERM PROSPECTS FOR INFLUENCING DOMESTIC POLITICAL
MODERNIZATION MAY BE MORE PROMISING AS INCREASED AFFLUENCE CREATES
GREATER OPPORTUNITIES FOR DEVELOPMENT OF A PLURAL POLITICAL SYSTEM

MORE IN ACCORD WITH OUR ASPIRATIONS FOR KOREA. ACCORDINGLY,
WE SHOULD PLACE PRIORITY EMPHASIS ON A LONG-TERM PROGRAM IN
SUPPORT OF RESPONSIBLE POLITICAL DEVELOPMENT, WHILE CONDITIONING
A RESHAPING OF U.S. POLICY TOWARDS A DESIRABLE PARTNERSHIP
NON POLITICAL MODERATION.
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